

Long Story Short

PENSIONS HAVE PURPOSE

Summary Annual Report to Members

Fiscal Year Ended June 30, 2021

MOSERS



Ronda Stegmann
Executive Director

Message from the Executive Director

It is my pleasure to present MOSERS' *Summary Annual Report to Members*, which provides a brief overview of our financial condition as of June 30, 2021. During fiscal year 2021, the Board and staff worked extensively and collaboratively on solutions to ensure the fiscal sustainability of MOSERS for current and future members. I would like to thank our trustees for their dedication and commitment.

The MOSERS investment portfolio generated a time-weighted return of 26.4%, net of fees, for fiscal year 2021. The total fund returned 1.2% more than would have been expected through passive investing in the benchmarks.

Staff completed the transition from the "Old" portfolio allocation to the "New" portfolio allocation at the end of February 2021 in 26 months, 10 months ahead of schedule. The Old portfolio represented approximately 42% of the total fund at the beginning of the fiscal year. We utilized six one-month advancements of the transition, as permitted by policy, in order to complete the transition in February.

To allow for more predictable and stable contributions rates, MOSERS' funding is based upon the actuarial value of assets, which smooths asset gains and losses over a five-year period. As of June 30, 2021, the MSEF was 59.0% pre-funded and the Judicial Plan was 31.1% pre-funded, based on MOSERS' funding valuation.

The General Assembly authorized and the Governor approved the appropriation of \$505 million to MOSERS for fiscal year 2022, which will fully fund the Board-certified employer contribution rate.

The theme of this year's *Summary Annual Report to Members* is "Long Story Short...Pensions Have Purpose". This message highlights important aspects of the System. We know public pensions, like MOSERS, are long-term entities that invest over long time horizons and span many generations of membership. Some of our retired membership are highlighted in this report through the sharing of their "six word stories". These "stories" describe their thoughts on being a MOSERS retiree or retirement in general. This theme also speaks to MOSERS mission statement to "advance the financial security of its members" and the hallmark of all we do. We know our members rely on their benefits now and far into the future. The MOSERS staff will continue to "roll up our sleeves" and work hard for our members, the Board, and all our stakeholders as we move into fiscal year 2022. It is our honor to work for this great state and its citizens.

Respectfully submitted,

Ronda Stegmann
Executive Director

This *Summary Annual Report to Members* is derived from the information contained in MOSERS' *Annual Comprehensive Financial Report* (ACFR) but does not include all funds administered by MOSERS or certain other information required for conformity with Generally Accepted Accounting Principles (GAAP). MOSERS' financial statements are produced in conformity with GAAP. View the annual report on our website at www.mosers.org. To request an alternative format, please contact MOSERS at (573) 632-6100 or (800) 827-1063. MOSERS is an equal opportunity employer.

Message From the Board Chairwoman

Dear Members:

On behalf of the MOSERS Board of Trustees, I am pleased to present the MOSERS *Annual Comprehensive Financial Report* for the fiscal year ended June 30, 2021. This report is one of MOSERS' finest examples of collaboration and an organization-wide team effort.

During the year ended June 30, 2021, the Board of Trustees continued its work on behalf of the MOSERS membership. While the global pandemic required MOSERS to modify the way we conduct business, our Board and staff members continued to work on key initiatives over the last fiscal year, some of which included:

- comprehensive review and adoption of MOSERS' Board Rules;
- completing the transition of the Board-adopted investment portfolio while generating a return of 26.4%, net of fees; and
- maintaining robust communication with our membership during the ever-changing landscape of fiscal year 2021.

MOSERS was very fortunate to have Board continuity, with minimal turnover, during fiscal year 2021. The MOSERS Board received two new Senate-appointed members when both Senate-appointed members of the Board left the legislature due to term limits. I would like to thank Senator Wallingford and Senator Walsh for their dedicated service as a MOSERS Board Trustee. We welcomed Senator Rizzo and Senator Wieland to the MOSERS Board in 2021. Their participation and perspectives have already added to the Board's robust discussions and decision-making process.

During my tenure as Board chairwoman, I have witnessed the substantial amount of time and service our trustees have dedicated to MOSERS. I am proud to lead this fine group of fiduciaries in acting in the best interest of our members. As a state employee elected to the MOSERS Board by our active membership, I understand the value of a future MOSERS pension benefit and the role this benefit has in the employers' recruitment and retention efforts. Total compensation is more than just the dollars received in a paycheck. The ongoing monthly contributions from the MOSERS-covered employers represent a significant financial commitment to our members, their families, their communities, and ultimately the citizens we serve. As we look to fiscal year 2022, the Board in conjunction with staff, will continue to further our core mission of advancing the financial security of our members.

I wish to express my appreciation to you, our members, for your commitment and service to this great state and its citizens. I am honored to serve as one of your representatives on the MOSERS Board.

If you ever have any questions, please contact us at MOSERS, P.O. Box 209, Jefferson City, MO 65102, call us at (800) 827-1063, or visit our website at www.mosers.org.

Sincerely,

Crystal Wessing, Chairwoman
Board of Trustees



Crystal Wessing
Board Chairwoman

MISSION

MOSERS exists to advance the financial security of its members.

VISION

We endeavor to:

- Exceed customer expectations
- Educate stakeholders
- Ensure sound investment practices
- Encourage responsible funding of the plan through a commitment to *Excellence. Always.*

VALUES

Quality • Respect • Integrity
Openness • Accountability

Financial Highlights

Fiscal Year 2021

\$2.1 Billion
Investment Income

\$502 Million
Employer Contributions

\$39 Million
Employee Contributions

\$953 Million
Benefit Payments

\$1,195
Average Monthly
Benefit Amount for
FY21 MSEP Retirees

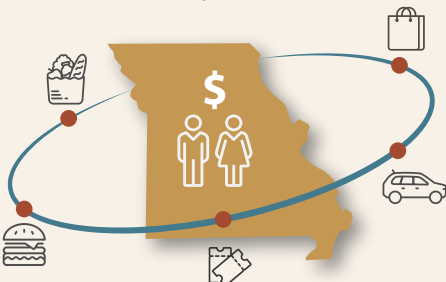
52,830
Retirees & Beneficiaries

\$9.7 Billion
Net Trust Fund Assets

Economic Impact

- MOSERS provides a modest benefit to those who served the public during their working years to help meet their basic needs.
- Our neighbors, friends, and family spend their pension benefits in our communities. Nearly 90% of retirees and their dependents remain in Missouri, spending retirement dollars on housing, goods, and services. Each \$1 paid in benefits has \$1.50 in economic impact.*
- Retirees had more than \$17.2 million in state taxes and \$69.7 million in federal taxes withheld from their benefit payments in fiscal year 2021.

* National Institute on Retirement Security, Pensionomics 2021



Net Position

The *Summary Comparative Statements of Fiduciary Net Position* reports the pension plan's financial position as of the end of the fiscal year.

Summary Comparative Statements of Fiduciary Net Position (Fiscal Year Ended June 30, 2021)

	Year Ended June 30, 2021	Year Ended June 30, 2020 (as adjusted)*
Assets		
Administrative operating cash and equivalents	7,386,658	9,801,690
Receivables	750,600,068	396,473,141
Investments	12,850,390,046	11,463,190,890
Capital assets, net of accumulated depreciation	11,070,763	7,530,526
Other assets	0	17,717
Total assets	13,619,447,535	11,877,013,964
Deferred outflow of resources	917,071	899,535
Liabilities		
Administrative and other payables	6,903,186	11,021,679
Investment related payables and obligations	3,869,974,406	3,777,012,632
MOSERS investment portfolio liability (MIP)	3,953,169	3,481,031
Net OPEB liability	7,682,560	7,695,160
Total liabilities	3,888,513,321	3,799,210,502
Deferred inflow of resources	718,655	465,011
Net positions restricted for pensions	\$ 9,731,132,630	\$ 8,078,237,986

* Prior year comparative amounts have been adjusted to conform to the current year presentation due to the adoption of Governmental Standards Board Statement No. 84.

The *Summary Comparative Statements of Changes in Fiduciary Net Position* reports MOSERS' contributions, benefit expenses, investment income and expenses.

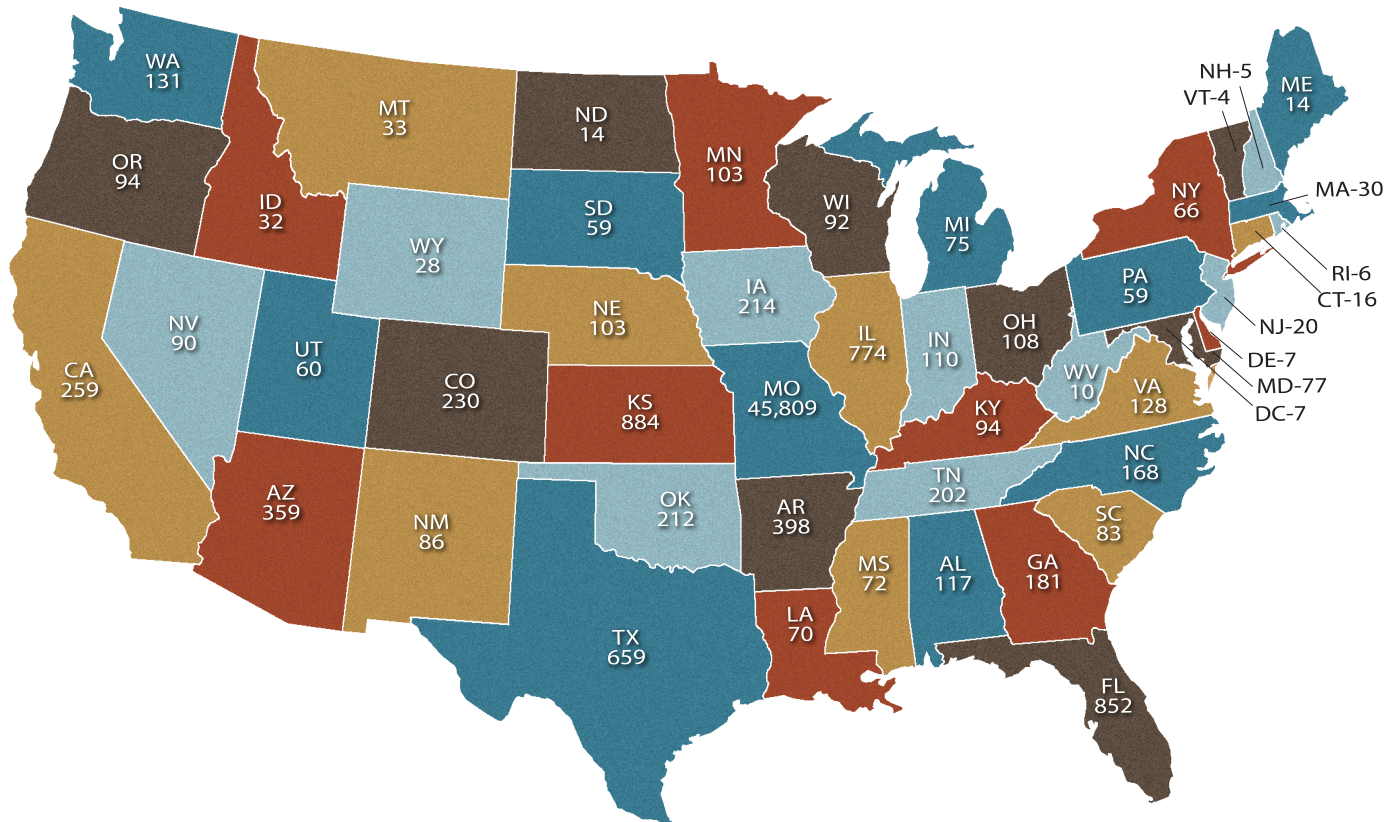
Summary Comparative Statements of Changes in Fiduciary Net Position (Fiscal Year Ended June 30, 2021)

	Year Ended June 30, 2021	Year Ended June 30, 2020 (as adjusted)
Additions		
Contributions and premiums*	\$ 577,738,031	\$ 549,163,044
Net investment income	2,077,042,662	408,563,551
Miscellaneous income	560,195	618,027
Total additions	2,655,340,888	958,344,622
Deductions		
Benefit payments	953,049,815	904,429,822
Premium disbursements	31,597,820	32,549,567
Service transfers and refunds	8,425,724	9,041,675
Administrative expenses	9,372,885	8,952,734
Total deductions	1,002,446,244	954,973,798
Net increase (decrease)	1,652,894,644	3,370,824
Net position beginning of year	8,078,237,986	8,074,867,162
Net positions restricted for pensions	\$ 9,731,132,630	\$ 8,078,237,986

* Includes employee and employer contributions, purchases of service credit, and service transfers.

Membership

Benefit Recipients by Location



- | | | | |
|--------------------|------------------|----------------------------|-------------------|
| 21 Alaska | 1 Czech Republic | 2 Ireland | 3 Puerto Rico |
| 23 Hawaii | 1 Ecuador | 1 Israel | 1 Philippines |
| 1 Army Post Office | 1 Germany | 3 Italy | 1 Spain |
| 1 Argentina | 1 Guam | 1 Latvia | 2 Sweden |
| 2 Australia | 1 Hong Kong | 1 Mexico | 2 Thailand |
| 1 Brazil | 1 India | 1 Marshall Islands | 1 The Netherlands |
| 12 Canada | | 1 Northern Mariana Islands | 5 United Kingdom |
| 1 Costa Rica | | | 5 Virgin Islands |

Member Data

June 30, 2021	MSEP*	Judicial Plan**
Active Members		
Average age	45.9	55.5
Average years of service	11.0	10.8
Average annual salary	\$45,809	\$150,793
Retired Members & Beneficiaries		
Average age	71.1	76.8
Average annual benefit	\$16,117	\$69,697

* Includes MSEP, MSEP 2011, and MSEP 2000 members.
 ** Includes Judicial Plan and Judicial Plan 2011 members.

Members Retired During Fiscal Year 2021

Years Credited Service	Average Monthly Benefit	Average Final Average Salary	Number of Retirees
<5	\$ 526	\$ 5,705	9
5-10	353	2,763	481
11-15	624	3,054	456
16-20	966	3,337	390
21-25	1,420	3,798	568
26-30	1,952	4,257	464
31+	2,554	4,651	207
All Members*	1,195	3,561	2,575

* Includes MSEP, MSEP 2011, and MSEP 2000 members, but does not include Judicial Plan and Judicial Plan 2011 members.

Investments

Investment Growth

It takes a long time to grow defined benefit pension assets. MOSERS' first investment transaction occurred in 1957, when a single outside advisor placed \$100,000 in a 90-day Treasury Bill on behalf of participants. It took nearly 30 years for the System's investments to reach the \$1 billion mark. As reflected in the graph (top right), the investment portfolio, as of June 30, 2021, was \$9.7 billion.

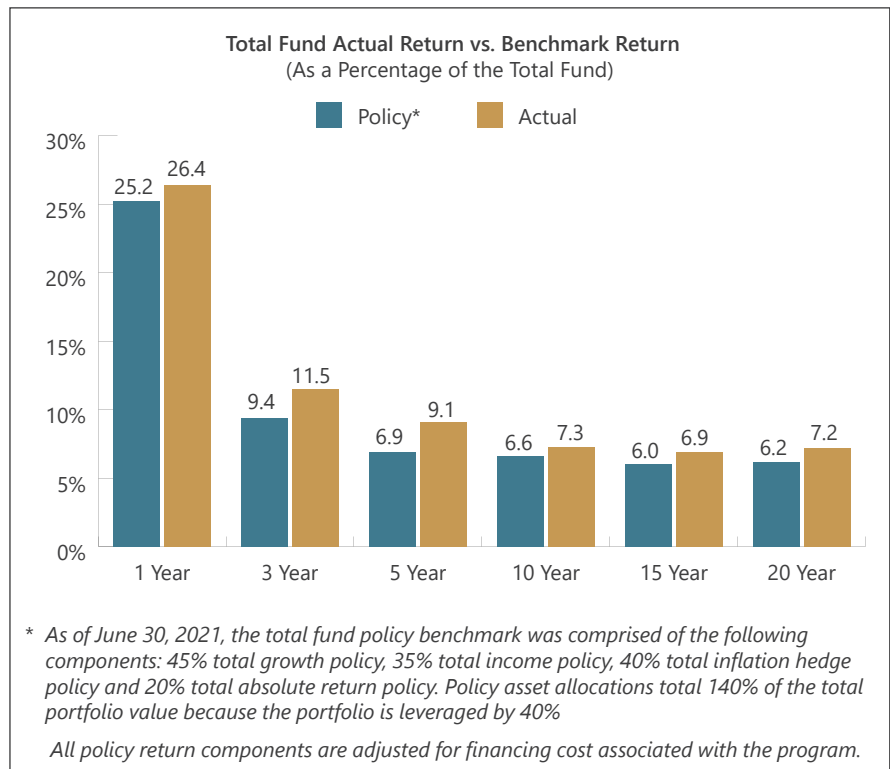
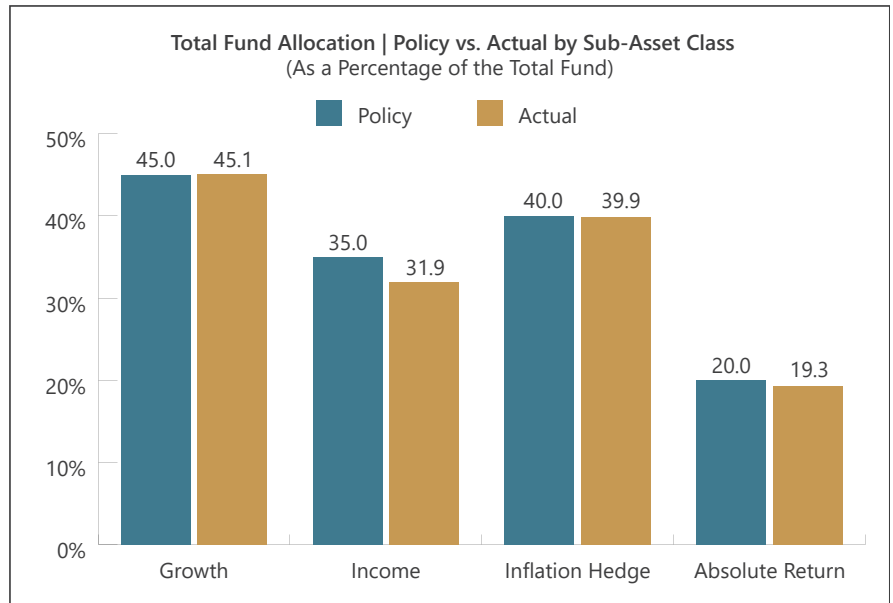
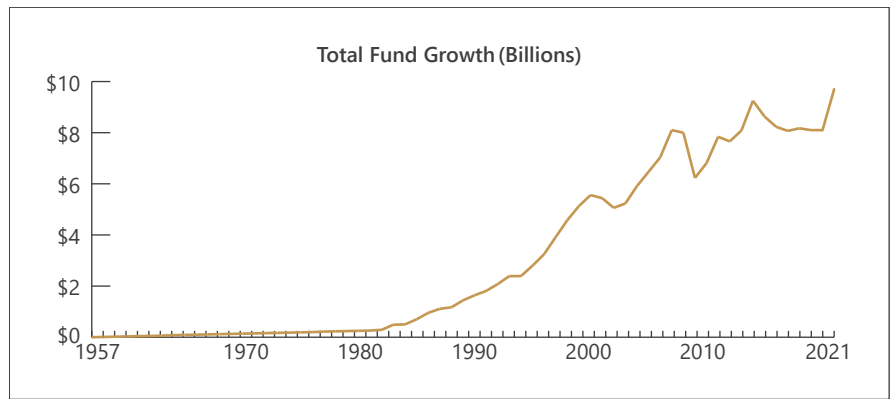
Fund Allocation & Risk

Market volatility is what investors traditionally consider to be the risk of investing. To protect against this risk, our investment portfolio is diversified across numerous asset classes and investment strategies.

The percentage of the total investment portfolio by specific asset class as of June 30, 2021, is reflected in the graphs (middle right). The asset allocation is built on the belief that diversification is critical in achieving consistent, long-term risk-adjusted investment returns.

Investment Performance vs. Benchmark Return

The policy benchmark provides a point of comparison when assessing the investment performance of the total fund. By comparing the policy benchmark return to the total fund return, we can determine how the MOSERS investment team performed on a comparative basis over a given time period. Value is added when the total fund return exceeds the policy benchmark. The policy benchmark also provides guidance for staff as well as other stakeholders of the fund through establishment of concrete investment goals. Additionally, the policy benchmark establishes the Board's long-term view regarding investments, which puts into perspective any reaction, or over-reaction, to short-term market conditions. Returns for the total fund verses these benchmarks are displayed in the corresponding graph (lower right).



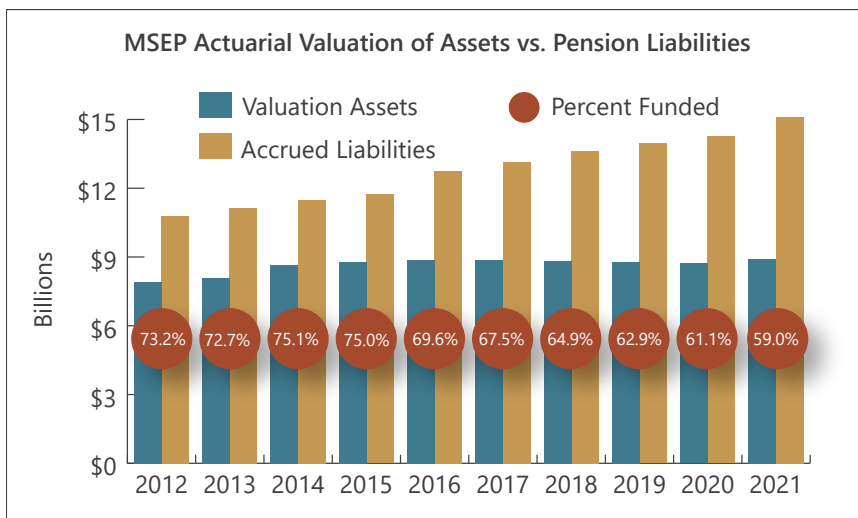
MSEP Retirement Funding

Funded Status

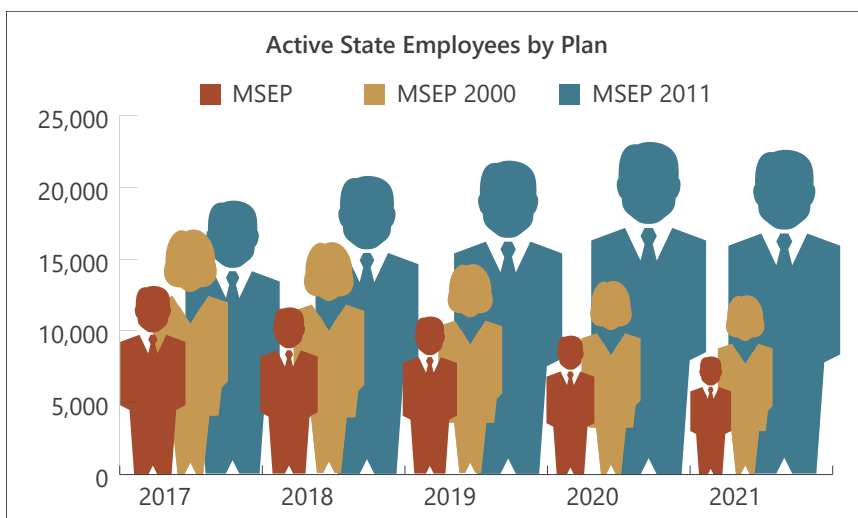
In order to help ensure your benefits are properly funded, MOSERS contracts with an outside actuarial firm to perform an annual actuarial valuation which determines the funded status of the plans at year end and the contribution rates needed to adequately fund the System in the future. The percentages shown in the bar chart indicate the extent to which the System was funded as of a given year end.

Employers contribute the actuarially determined contribution that, when combined with current assets and expected future investment returns, will be sufficient to meet the current and future assumed financial obligations of the System.

Through a history of reasonable benefit levels, mandatory participation, actuarially determined employer contributions, and professionally managed investments, MOSERS benefits continue to be secure.

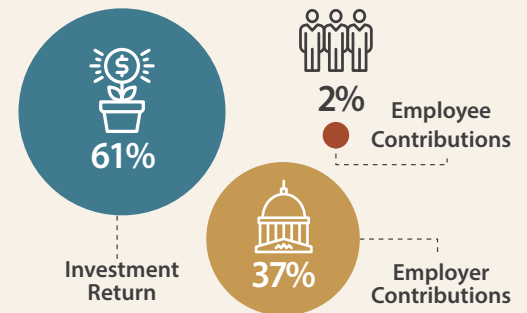


Pension reform in 2010, known as MSEP 2011, works to stabilize plan funding, retains the defined benefit (DB) structure, and provides sustainability for future generations. As of June 30, 2021, a total of 52.2% of active employees are in the MSEP 2011.



Plan Revenue

MOSERS is an advance-funded retirement system. Unlike "pay-as-you-go" plans, employer and employee contributions plus investment earnings are accumulated and professionally managed during employees' careers, and paid out over their retirement years. Over the long-term, the largest contributor to accumulated plan assets is investment earnings, which accounts for 61% of the assets in the MOSERS Trust Fund.



A few key components used to calculate the employer contribution rate and the plan's funded ratio are the assumed rate of return on investments and the adoption of mortality tables relative to members' life expectancy. Both of these inputs are set using realistic expectations in order to appropriately fund the plan over time.

During the last experience study, the Board approved updated mortality tables in recognition of longer life expectancy. This action, along with other recommendations adopted from the experience study, increased the fiscal year 2023 employer contribution rate by approximately 1.9% of payroll.

Additionally, the Board has systematically reduced the MOSERS investment return assumption from 7.5% in 2017 to the current assumption of 6.95% in 2020. This movement was in recognition of lower capital market expectations. This calculated reduction in the investment return assumption has resulted in an increased employer contribution rate and lower funded ratio for the MSEP.

The prudent actions mentioned above, while increasing the employer contribution rate and decreasing in the plan's funded ratio in the near-term, will work to ensure the long-term sustainability of MOSERS.

Awards



The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to MOSERS for its Popular Annual Financial Report for fiscal year ended June 30, 2020. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. MOSERS has received this award for 26 consecutive years (fiscal years ended 1995 through 2020). We believe our current report continues conform to the Popular Financial Reporting requirements, and we are submitting it to the GFOA to determine its eligibility for another Award.

Want to Know More?



Visit us online at www.mosers.org
or email us at mosers@mosers.org



In an effort to provide information more quickly about actions taken by the MOSERS Board of Trustees, look for "A Moment with MOSERS" video updates in your email or online.



Benefit counselors are a valuable source for information regarding your benefits. Call to speak with a benefit counselor or to make an appointment.

Office Hours

Monday - Friday
8:00 a.m. - 12:00 p.m.
1:00 p.m. - 4:30 p.m.

Phone

(573) 632-6100
(800) 827-1063

Mailing Address

PO Box 209
Jefferson City, MO 65102-0209
Visit us at 907 Wildwood Drive

Board of Trustees

as of June 30, 2021

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